IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

SPLIT PIVOT, INC.,

Plaintiff,

v.

Case No. 3:12-cv-00639-wmc

TREK BICYCLE CORPORATION,

Defendant.

PLAINTIFF SPLIT PIVOT, INC.'S OBJECTIONS TO TREK BICYCLE CORPORATION'S BILL OF COSTS AND MOTION TO STAY ENFORCEMENT OF COSTS PENDING APPEAL

Plaintiff Split Pivot, Inc. ("Split Pivot") hereby submits its objections to Defendant Trek Bicycle Corporation's ("Trek") Bill of Costs (Dkt. 222). Split Pivot has filed an appeal from the Court's summary judgment decision to the United States Court of Appeals for the Federal Circuit. (Dkt. 227.) The Court should stay final determination of costs pending resolution of the appeal, as any determination now will be rendered moot and a waste of the Court and parties' time and resources if Split Pivot prevails on appeal. Certainly, if costs are determined now, the Court should stay enforcement of any costs judgment pending appeal for the same reasons. In the event costs are taxed now, Trek's Bill of Costs is inflated and seeks costs not allowed by the Federal Rules of Civil Procedure. Accordingly, at a minimum, Trek's bill of costs must be reduced by $260,212.87, and at most $57,820.59 allowed.

BACKGROUND

On December 13, 2013, this Court granted Trek's motion for summary judgment of non-infringement and no willful infringement, and denied Split Pivot's motion for summary judgment of infringement. Dkt. 219 at 71-72. Split Pivot filed a notice of appeal appealing this determination to the Federal Circuit on January 9, 2014. *See* Dkt. 227.

Late on New Year's Eve 2013, Trek filed a Bill of Costs totaling $318,033.46. Dkt. 222. Trek claimed costs in the amount of $26,808.83 for electronically recorded transcripts. Trek's deposition costs were not limited to simply a copy of the deposition transcript, but also encompassed extraneous costs such as rough ASCII transcripts, exhibits, court reporter fees, and shipping. *See generally* Dkt. 224-1. Trek also claimed costs for videotaping of those same depositions which were recorded stenographically. *Id*.; Dkt. 223 at 3-5.

Trek also claimed $17,464.59 in costs associated with "making copies in preparation of depositions, summary judgment, and trial." Dkt. 223 at 5-6. This sum consists in substantial part, of costs related to making multiple copies for Trek's many litigation attorneys. (Trek's bill of costs, for example, lists eight attorneys of record in this matter.)

In addition, Trek claimed $48,459.47 in costs for materials and demonstratives acquired in anticipation of trial, which substantially was comprised of the cost of 25 of its own bicycles. Dkt. 223 at 7-10. Claiming the cost of bicycles allegedly purchased from itself is gross over reaching. Moreover, while the Court noted in its summary judgment order that the main technology of the accused Trek bicycles in this case consisted only of those ABP models with Full Floater and those without, Trek allegedly purchased from itself numerous examples of its own bicycles in order to show such non-relevant features as the differences in frame materials and wheel sizes, non-ABP features, and "other bicycles in the field." Dkt. 223 at 7.

Trek finally claimed $225,180.57 in costs associated with its e-discovery efforts. Dkt. 223 at 8-10. Trek did not separate out any of its e-discovery costs, and in lieu of claiming only those activities which actually related to converting files, it claimed its entire expense, which included, *inter alia*, database hosting fees, web training, and costs for storage media. *Id*.; *see generally* Dkt. 225.

ARGUMENT

I. DETERMINATION AND EXECUTION OF THE COSTS JUDGMENT SHOULD BE STAYED PENDING APPEAL.

To proceed with taxation of costs now would be wasteful and inefficient, given Split Pivot's appeal to the Federal Circuit. As a result, the Court should stay these cost proceedings pending the resolution of the appeal. In the event the Court taxes costs now, it should stay execution of the judgment pending appeal.

In determining whether to stay proceedings, the court must analyze: "(1) whether appellant has made a showing of likelihood of success on appeal, (2) whether appellant has demonstrated a likelihood of irreparable injury absent a stay, (3) whether a stay would substantially harm other parties to the litigation, and (4) where the public interest lies." *Glick v. Koenig*, 766 F.2d 265, 269 (7th Cir. 1985). All of these factors favor a stay in this case.

First, Split Pivot has a strong likelihood of success on appeal. As evident from the Court's seventy-two page memorandum on summary judgment, the issues surrounding claim construction here were intense and hard fought. While the Court sided with Trek on the interpretation of certain limitations at issue (not all), as the Court noted, there are differing opinions among the district courts regarding the proper way to interpret the critical limitations. Dkt. 218 at 36-37. By one study, nearly 30% of cases appealed to the Federal Circuit result in at least one claim term being reversed. *See* J. Jonas Anderson and Peter S. Menell, Appellate Review of Patent Claim Construction: The Reality and Wisdom of a "Mongrel" Standard, Patently-O blog (Sept. 27, 2012), http://www.patentlyo.com/patent/2012/09/appellate-review-of-patent-claim-construction-the-reality-and-wisdom-of-a-mongrel-standard-.html. In this case, Split Pivot will prevail on at least some of its infringement claims if the Federal Circuit vacates the construction of just one claim term. Given these facts, it is likely that Split Pivot will prevail on its appeal.

If Split Pivot is forced to proceed with costs now, it will potentially be irreparably injured by imposition of a substantial costs judgment. Split Pivot is a small one-employee company, and cannot sustain a large costs judgment without inflicting severe financial hardship. Any efforts by Trek to collect a costs award would be disruptive to Split Pivot and prosecution of its appeal. As a result, this factor also favors a stay.

Trek would not be substantially injured by a stay. Trek is a large international company and therefore is more than able to hold off on attempting to collect any costs, should they be imposed, pending appeal.

Finally, the public interest, specifically judicial economy, weighs in favor of a stay. It would be more than wasteful and inefficient to continue with these proceedings, potentially render a judgment, only to have the Court's grant of summary judgment overturned on appeal. While Trek may claim that it would be more efficient to determine costs now, so that they may potentially be rolled into the appeal, such an approach only presumes the unlikely event that costs would be appealed as a separate matter.

Should the Court elect not to stay proceedings pending appeal, it must at the very least stay execution of any costs judgment pending appeal. To allow Trek to try to execute any costs judgment would only condone Trek's efforts to impose a potentially irreparable financial burden on Split Pivot while the ultimate outcome of this litigation remains in doubt.

II. TREK'S CLAIMED COSTS ARE EXCESSIVE AND UNRECOVERABLE.

If the Court does not stay these proceedings, it must reduce Trek's bill of costs because they are not recoverable under Fed. R. Civ. P. 54(d)(1) and excessive to a great extent. Trek has claimed costs that are unrecoverable, unreasonable, and wholly inflated.

"Taxing costs against a losing party requires two inquiries: (1) whether the cost imposed on the losing party is recoverable and (2) if so, whether the amount assessed for that item was reasonable." *Majeske v. City of Chicago*, 218 F.3d 816, 824 (7th Cir. 2000). Costs, as defined by 28 U.S.C. § 1920, include:

> (1) Fees of the clerk and marshal;
>
> (2) Fees for printed or electronically recorded transcripts necessarily obtained for use in the case;
>
> (3) Fees and disbursements for printing and witnesses;
>
> (4) Fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case;
>
> (5) Docket fees under section 1923 of this title [28 USCS § 1923];
>
> (6) Compensation of court appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under section 1828 of this title.

28 U.S.C. § 1920. Taxable costs have a "narrow scope." *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2006 (2012). "It comes as little surprise, therefore, that 'costs almost always amount to less than the successful litigant's total expenses in connection with a lawsuit.'" *Id.*

A. Trek's Costs for Deposition Transcripts are Excessive.

Trek has claimed $26,808.83 in costs associated with depositions taken in this litigation, but this sum is duplicative, overstated, and not reasonable in light of Section 1920(2). Most glaringly, Trek does not simply seek to recover just the costs of deposition transcripts, but also various fees relating to rough drafts, exhibits, court reporter expenses, e-transcripts, shipping and handling, and other associated fees.[1] Dkt. 224-1. "Costs related to materials such as Min-U-Scripts, ASCII diskettes, and administrative fees are generally not recoverable unless the movant shows that they were reasonably necessary for the litigation." *BASF AG v. Great Am. Assur. Co.*, 595 F. Supp. 2d 899, 904 (N.D. Ill. 2009). Trek should only be entitled to recover the actual cost for one copy of each deposition noticed. Accordingly, Trek's claimed deposition costs must be reduced by $14,757.21, and at most $12,051.62 allowed.

To the extent the Court allows costs for extraneous items such as exhibits, it must, at a minimum, strike the costs for the exhibits from the deposition of Tony Foale because they are unreasonably excessive. Dkt. 224-1 at 10. While the costs of exhibits for other claimed depositions generally were $100 or less, the exhibits for Mr. Foale (including a photocopy of a book written by Mr. Foale) cost $2,321.40. *Id.* at 2. Trek proffers no justification for this huge expense, and should the Court allow expenses for exhibits, Trek's claimed costs must be reduced by $2,321.40.

Trek also claims it is entitled to be compensated for video costs. "Courts may tax the costs of a transcript and a videotape of the same deposition only if both are necessary and reasonable in the context of the particular case." *Engate, Inc. v. Esquire Deposition Servs. LLC*, 2006 U.S. Dist. LEXIS 25927 at *5 (N.D. Ill. Mar. 13, 2006). The *Engate* court allowed costs for videotape depositions of witnesses that resided outside of the United States, but denied costs for video depositions of witnesses who resided within the United States, when there was "no contention that they were believed to be unavailable for trial." *Id.* at *5-6; *see also Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 750 F. Supp. 2d 962, 976-877 (N.D. Ill. 2010) (denying video recording costs of witnesses residing in the United States).

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[1] *See* Dkt. 224-1, Invoice 14159511 (unedited ASCII); Invoice 9005 (exhibit disk); Invoice 8838 (exhibit disk); Invoice 9008 (rough ASCII and exhibit disk); Invoice 8577 (scanned exhibits); Invoice ESQ27724 (court reporter fees, rough ASCII, and e-transcript); Invoice ESQ32728 (court reporter fees, rough ASCII, and e-transcript); Invoice ESQ31809 (court reporter fees, handling fees, e-transcript, and teleconferencing); Invoice 8929 (scanned exhibits and rough ASCII); Invoice 8781 (scanned exhibits and rough ASCII); Invoice 8598 (scanned exhibits, rough ASCII); Invoice 3575 (scanned exhibits and rough ASCII); Invoice ESQ30313 (court reporter fees and rough ASCII); Invoice 1309 July 17, 2013 (rough draft); Invoice 8645 (scanned exhibits); Invoice 8602 (scanned exhibits and rough ASCII); Invoice 14161932 (scanned exhibits); Invoice 14165372 (rough ASCII, e-transcript, compressed transcript, processing fees, and scanned exhibits); Invoice 8546 (scanned exhibits and exhibit disk); Invoice CSD480320 (exhibits, court reporter fees, e-transcripts).

In this case, only three deponents resided outside of the United States – Tony Foale, Erick Auger, and Terrence Malone. Of those three, Mr. Foale was Split Pivot's primary technical expert, and obviously an expected witness at trial. Trek has not claimed video costs for Mr. Malone. Dkt. 224-1 at 1. Therefore, for purposes of costs, only Mr. Auger can be considered a deponent not available for trial. Trek has made no showing that any of the deponents residing within the United States were unavailable for trial, and thus these costs cannot be considered "reasonable and necessary" under the terms of the cost statute. These costs are more properly assessed as made solely for the convenience of counsel, and therefore untaxable. *See Trading Techs.*, 750 F. Supp. 2d at 977. Therefore, Trek's total claimed costs must be reduced by $6,726.02 – the video costs of all depositions save for that of Mr. Auger. At most $175.00 should be allowed for videotaping the deposition of Mr. Auger.

B. Trek's Copying Costs are Excessive and Unreasonable.

Trek has claimed $17,464.59 in copying costs. Section 1920(4) provides for the recovery of "costs of making copies of any materials where the copies are necessarily obtained for use in the case." 28 U.S.C. § 1920(4). In order to recover copying costs, a party must "produce evidence showing the nature of the documents copied, including how they were used or intended to be used in the case." *Gutierrez v. P.A.L., Ltd.*, 2012 U.S. Dist. LEXIS 101018 at *9 (N.D. Ill. July 20, 2012). Courts in this district have disallowed costs when the prevailing party has failed to explain why a certain number of copies are necessary. *Netcraft Corp. v. Ebay Inc.*, 2008 U.S.

Dist. LEXIS 46645 at *4 (W.D. Wis. June 12, 2008). The Seventh Circuit has held that taxing costs for "[t]wo copies of every document filed with the court or provided to opposing counsel makes sense." *Kulumani v. Blue Cross Blue Shield Ass'n*, 224 F.3d 681, 685 (7th Cir. 2000). "Five or six copies of everything for the apparent convenience of a platoon of lawyers at a large defense firm is harder to justify as the sort of outlay that may be shifted to one's adversary." *Id.*; *see also Ardisam, Inc. v. Ameristep, Inc.*, 343 F. Supp. 2d 726, 732 (W.D. Wis. 2004).

A number of Trek's invoices for copying costs do not indicate what was copied or why the copies were made.[2] This makes it impossible for the Court to assess the nature of those copying costs or whether those costs were "necessarily obtained for use in the case." *Gutierrez*, 2012 U.S. Dist. LEXIS 101018 at *9. Accordingly, they must be disallowed. Therefore, Trek's claimed copying costs should be reduced in the amount of $322.73.

With regard to those copying costs for which Trek provided some indication of what was copied, Trek's costs regularly involve the duplication of more than two copies.[3] *See* Dkt. 224-3. Split Pivot should not be forced to subsidize the convenience "of a platoon of lawyers at a large defense firm." *Kulumani*, 224 F.3d at 685. As the docket of this action reveals, Trek had eight attorneys working on this matter. Undoubtedly, the excess copies produced by Trek were solely for its counsel's convenience. Because Trek has failed to show that these costs are reasonable, the Court should disallow all of these costs, and should reduce Trek's claim by $8,532.05.

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[2] *See* Invoice 75218; Invoice 75904; Invoice 79666; Invoice 81848.

[3] *See* Invoice 75904 (6 CD burns); Invoice 76629 (6 sets of Trek's invalidity contentions); Invoice 78689 (6 sets of supplemental infringement contentions "for team"); Invoice 79312 (6 sets of supplemental invalidity contentions "for team"); Invoice 80287 (8 sets of rebuttal expert reports "for team"); Invoice 80319 (expert reports for attorney Nero); Invoice 80632 (7 sets of summary judgment binders "for team"); Invoice 81756 (5 sets of Ludington report "for team"); Invoice 82270 (5 sets of Bero report "for team"); Invoice 82537 (6 sets of Bero report)

C. Trek is Not Entitled to Tax Costs for Bicycles It Allegedly Purchased from Itself.

Shockingly, Trek seeks to recover $48,459.47 that it allegedly spent on bicycles that it alleges were "purchased, prepared, assembled and compiled in anticipation of trial." Dkt. 223 at 6-7. This is gross over reaching. While the Seventh Circuit takes an unusually expansive view of the term "exemplification" to include "a wide variety of exhibits and demonstrative aids," Trek has not shown that this definition is so broad as to include physical bicycles allegedly purchased from itself. *See Cefalu v. Village of Elk Grove*, 211 F.3d 416, 427 (7th Cir. 2000). Indeed, the cases Trek cites to support recovery all involve the preparation and production of graphical representations from third party vendors, as opposed to three dimensional models such as a bicycle that a party "buys" from itself. *See id.* at 427 (multi-media system used to present evidence to the jury was recoverable as exemplification costs under Section 1920); *Netcraft Corp. v. Ebay Inc.*, 2008 U.S. Dist. LEXIS 46645 at *2-4 (W.D. Wis. June 12, 2008) (PowerPoint presentation recoverable). However, a fully functional bicycle is far different from a mere graphical representation, and as such, should not be considered a recoverable "exemplification" cost.[4]

Even if the Court finds that the cost of the 25 bicycles is recoverable as a threshold matter as exemplification costs, it must evaluate whether they were "necessarily obtained for use in the case." 28 U.S.C. § 1920. "Among the factors that the judge might consider in evaluating the necessity of a particular type of exemplification is whether the nature and context of the information being presented genuinely called for the means of illustration that the party

[4] If Trek is allowed to tax the cost of bicycles allegedly bought from itself, then Split Pivot has effectively purchased them and Trek should be required to provide them to Split Pivot. The bicycles, if taxation is allowed, become Split Pivot's property. Trek (or its counsel) cannot be permitted to retain "free" bicycles.

employed." *Cefalu*, 211 F.3d at 428. If a particular exemplification is merely a convenience, or worse, an "extravagance," it is not recoverable. *Id*. at 428-429.

Unquestionably, Trek's alleged purchase of 25 bicycles is not a cost "necessarily obtained for use in the case," but an extravagance that it allegedly incurred to showcase irrelevant differences between models. Unlike its invoices from other vendors, Trek's documentation regarding its bicycle purchases fails to indicate where the vast majority of the bicycles were purchased, whether or not they actually paid any third party, and whether the price was retail or cost. *See* Dkt. 225-1. Trek must have actually transferred money from its deep pockets to some third party not related to it for any bicycle costs to be even possibly taxable, and it cannot expect to tax retail costs that lead to a profit to Trek. In addition, while graphical representations of the accused models and ABP technology were sufficient for the Court to decide the summary judgment motions, Trek does not explain why 25 bicycles, effectively showing the same two ABP configurations, were necessary for its case before the jury.

In fact, none of Trek's proffered explanations show why 25 different bicycles were necessary to its case. Trek first argues that the bicycles were necessary to show the jury the accused models. Dkt. 223 at 7. Yet the only relevant distinction between the accused Trek models as they related to the Split Pivot Patents are whether they feature Full Floater vs. non-Full Floater. Dkt. 219 at 10-11. Trek's second rationale, that it desired to show the accused ABP technology, fails for the same reason. Dkt. 223 at 7.

Trek's third rationale, that it wanted to showcase differences such as frame material and wheel size between the accused models, is not relevant. Particular frame material and wheel size is not relevant to the technology claimed in the Split Pivot Patents, and therefore any attempt to showcase such differences is not necessary to the case. Instead, this purported rationale allowed to Trek to allegedly spend thousands of dollars on expensive carbon fiber bicycles of its own manufacture.

Trek's fourth rationale, that it desired to point out non-ABP features that may have been attributable to its market success, is irrelevant because the only relevant distinction between the accused models was the layout of the shock absorber in a floating or non-floating configuration. As for its fifth rationale, that it desired to show the jury "other bicycles in the field," Trek has presented no evidence to that these bicycles were "necessary" to its case.

Moreover, aside from being unnecessary, Trek's purchase of 25 bicycles is not reasonable. *See Majeske*, 218 F.3d at 824. Trek offers no explanation why it was required to purchase its own products from itself as part of its defense. Trek's submitted documentation is unclear and vague as to how the purchase price of its bicycles was determined, and is further unclear as to what vendor within Trek sold the bicycles. *See* Dkt. 225-1 at 5, 7-11. The documentation is also unclear as to whether Trek actually paid many of the invoices, as they are bereft of detailed information of payment terms, method of payment, or comparable evidence. *Id*. Similarly, for the single bike that was purchased from a Trek store, it is unclear whether the bicycle was purchased at a Trek specific price, or merely at a public discount. *Id*. at 6. While Trek alleges that the bicycles' resale value has fallen, it offers no explanation why it could not have resold the bicycles to recoup any cost. Dkt. 223 at 7-8. Indeed, it is common for bicycle retailers to sell past model bikes at a discount to clear out old stock.

In sum, rather than simply seek graphics, photographs, or other evidence to showcase the features it claims it was required to present to the jury, Trek opted for the excessive extravagance of numerous actual bicycles. Trek did not limit this extravagance to the least expensive alternatives, but instead allegedly spent thousands on top of the line models. Trek's "glitz" is not a taxable cost. *BASF Corp. v. Old World Trading Co.*, 1992 U.S. Dist. LEXIS 13691 at *12 (N.D. Ill. Sept. 11, 1992). Although Trek is not entitled to tax costs for any of the bicycles it purchased, at most it should only be entitled to costs for one ABP bike equipped with Full Floater, and one bike without, at the lowest possible expense. And any bicycles, if their cost is taxed, must be then transferred to Split Pivot. Because these costs were nothing more than an extravagance that were not reasonable, Trek's total costs must be reduced by the amount of $48,459.47.

D. Trek's Costs for E-Discovery are Excessive.

Trek also claims that it is entitled to $225,180.57 associated with its e-discovery efforts, as "fees for exemplification and the costs of making copies." Dkt. 222; 28 U.S.C. § 1920(4). However, to award Trek the full amount would ignore the express statutory intent of 28 U.S.C. § 1920(4) and unjustly compensate Trek for the normal cost of complying with discovery requests.

In *Race Tires America, Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d 158, 171 (3rd Cir. 2012), the Third Circuit held that while Section 1920(4) encompassed the costs of electronic production, recovery was limited only to those charges for "scanning of hard copy documents, the conversion of native files to TIFF, and the transfer of VHS tapes to DVD" because "the costs attributable to only those activities are recoverable under § 1920(4)'s allowance for the 'costs of making copies of any materials.'" The court expressly rejected the assertion that the prevailing party was entitled to *all* electronic discovery costs imposed by outside vendors. *Id*. at 168-171. While the court acknowledged that extensive processing of electronically stored information may be "essential" to a party's production, it noted that "services leading up to the actual production," aside from scanning and converting native files, did not constitute "making copies." *Id*. at 169. Given the statutory history and narrow scope of Section 1920(4), the court also did "not think it is significant that the Federal Rules of Civil Procedure provide for the discovery of ESI or that the parties agreed to 'exchange responsive and discoverable ESI.'" *Id*. at 170.

The Fourth Circuit recently adopted the analysis promulgated by the *Race Tires* court in *Country Vintner of North Carolina, LLC v. E. & J. Gallo Winery, Inc.*, 718 F.3d 249, 259-261 (4th Cir. 2013). In adopting the *Race Tires* analysis, the Fourth Circuit affirmed the district court's costs award which awarded only those e-discovery charges relating to the conversion of native files to TIFF and PDF formats and the transfer of files onto CD's. *Id*. at 261.

Race Tires has also been adopted substantially by the Federal Circuit. In *CBT Flint Partners, LLC v. Return Path, Inc.*, __ F.3d __, 2013 WL 6510953 (Fed. Cir. Dec. 13, 2013), the Federal Circuit, interpreting Eleventh Circuit law, addressed what e-discovery costs qualified as "making copies" under Section 1920(4). In doing so, the court considered three separate "stages" of e-discovery, the first being the processing of source media, the second being the indexing, decryption, and analysis of extracted documents, and the third being the copying of production documents onto media. *Id*. at *5. The Federal Circuit determined that the processes of stages one and three were generally recoverable as "making copies," but that stage two activities, such as "project management, keyword searching, 'statistical previews,'" as well as "costs incurred in acquiring, installing, and configuring a new data-hosting server" were not recoverable. *Id*. at *6-9. The Federal Circuit noted that its approach was consistent with *Race Tires* and *Country Vintner*, and differed only in that its approach allowed recovery of "imaging source media and extracting documents in a way that preserves metadata." *Id*. at *10. The Federal Circuit also stated that its approach was "consistent with the analysis of other circuits that have interpreted section 1920(4) to allow for only limited recovery of the costs of electronic-document production." *Id.* at *28 (citing cases, including *Hecker v. Deere & Co.*, 556 F.3d 575 (7th Cir. 2008)).

The Seventh Circuit briefly touched on the recoverability of e-discovery costs in *Hecker v. Deere & Co.*, 556 F.3d 575 (7th Cir. 2008). In *Hecker*, the Seventh Circuit summarily affirmed the award of e-discovery costs that were characterized as "converting computer data into a readable format in response to plaintiffs' discovery requests." 556 F.3d at 591. It did not analyze the steps of the e-discovery process in detail as did *Race Tires* and its progeny.

While the Seventh Circuit has not yet had occasion to specifically adopt the *CBT Flint Partners*, *Race Tires*, and *Country Vintner* analysis, two district courts in the Seventh Circuit recently have done so. In *Phillips v. WellPoint Inc.*, No. 3:10-cv-00357, slip op. at *3-4 (S.D. Ill. May 16, 2013), the Southern District of Illinois adopted the *Race Tires* analysis to hold that "defendants may only recover the actual costs of scanning the hard document copies and converting native files to a readable format." The *Phillips* court followed *Race Tires* to reduce the prevailing party's e-discovery costs by nearly $57,000.00. *Id.* at *5-7.

Similarly, the court in *Johnson v. Allstate Ins. Co.*, No. 07-cv-0781, slip op. at *3-5 (S.D. Ill. Oct. 16, 2012), adopted *Race Tires*, and specifically noted that it was not incongruous with the Seventh Circuit's decision in *Hecker*. The *Johnson* court also noted that *Hecker* taxed e-discovery costs as exemplification costs, "a conclusion that seems outside even the Seventh Circuit's expansive definition of exemplification." *Id.* at *4.

Trek bases its claim for e-discovery costs on *Novozymes A/S v. Danisco A/S*, No. 10-cv-251-bbc, slip op. at 3 (W.D. Wis. March 11, 2013), where the court declined to adopt *Race Tires* in lieu of awarding "all reasonable costs associated with electronic discovery." There, Judge Crabb stated that *Race Tires* was "on point," but decided against applying it due to the lack of "more definitive authority," presumably from the Seventh Circuit. *See* Dkt. 224-5 at 3. However, the "more definitive authority" previously required by this district has come to pass with the adoption of the *Race Tires* analysis by the Third, Fourth, Eleventh, and Federal Circuits, as well as other district courts within the Seventh Circuit. Indeed, the Federal Circuit has read *Hecker* as not allowing the recovery of all e-discovery costs. *See CBT Flint Partners, LLC*, 2013 WL 6510953 at *28. The *Novozymes* approach to awarding all e-discovery costs is plainly inconsistent with Section 1920(4)'s "limited allowance for 'the costs of making copies of any materials where the copies are necessarily obtained for use in the case,'" and should not be followed. *Race Tires*, 674 F.3d at 170.

While Trek claims that its entire costs must be reimbursed because it was simply complying with Split Pivot's discovery requests in a certain format, this argument is without merit. Dkt. 223 at 9. "There is a presumption that 'the responding party must bear the expense of complying with discovery requests.'" *Hagemeyer N. Am., Inc. v. Gateway Data Scis. Corp.*, 222 F.R.D. 594, 600 (E.D. Wis. 2004). If Trek found Split Pivot's discovery requests to be onerous, it was free to bring a motion for a protective order. It did not.

The majority of Trek's claimed e-discovery costs are not for costs comparable to "making copies," but relate to such unrecoverable costs as project management fees, hard drives and other storage hardware, database hosting, forensic collection, web trainings, consulting fees, user access fees, project management fees, and shipping. *See generally* Dkt. 225. Tasks beyond file format conversion such as "gathering, preserving, processing, searching, culling, and extracting ESI simply do not amount to 'making copies.'" *Race Tires*, 674 F.3d at 170. "[I]t is possible to tax only the costs incurred for the physical preparation of ESI produced in litigation." *Id*. Out of total claimed costs of $225,180.57, only $36,864.16 actually relate to the categories entitled "Native File Conversion" and "TIFF Image Create." *Id*. As a result, Trek's claimed e-discovery costs must be reduced by $188,316.41.

In total, Trek's taxable costs must be reduced from $318,033.46 to at most $57,820.59. As the below chart indicates, the difference between Trek's claimed costs, and those that are actually taxable and supported by the law, is vast:

Category	**Trek's Claim**	**Reduction**	**Rationale**	**Maximum Taxable Cost**
Deposition Costs	$26,808.83	$14,582.21	Items such as rough ASCII transcripts, court reporter fees, and exhibits are not taxable, and Trek has failed to show that all but one witness was outside the United States such that a video recording was necessary	$12,226.62
Statutory Witness Fees	$120	None	No objection	$120
Copying Costs	$17,464.59	$8,854.78	Insufficient evidence to show certain copies were necessary and for unreasonable copies provided for the convenience of Trek's numerous litigation attorneys	$8,609.81
Exemplification Costs	$48,459.47	$48,459.47	The cost of 25 bicycles to demonstrate facts not relevant to Split Pivot's infringement claims are an extravagance, and even the Seventh Circuit's broad definition of "exemplification" does not include a party purchasing bicycles from itself	$0

Category	**Trek's Claim**	**Reduction**	**Rationale**	**Maximum Taxable Cost**
E-Discovery	$225,180.57	$188,316.41	The vast majority of Trek's e-discovery costs do not relate to the essential acts relating to the physical preparation of ESI produced in litigation	$36,864.16
TOTAL	$318,033.46	$260,212.87		$57,820.59

CONCLUSION

For the foregoing reasons, the Court should stay these proceedings pending appeal. However, if it does elect to tax costs now, it should stay enforcement of the costs judgment pending appeal, and Trek must only be awarded costs in the total amount of $57,820.59.

Dated: January 10, 2014.

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